

DowntownRaleigh
Alliance

FOURTH QUARTER 2011

ECONOMIC DEVELOPMENT, BID REPORT AND REAL ESTATE ANALYSIS

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The Downtown Raleigh Alliance is a non-profit corporation, organized pursuant to Section 501(c)(6) of the IRS Code. It is a membership organization open to any person, association, corporation or partnership. The Alliance is an award-winning non-profit organization created in 1996 by a coalition of community advocates, corporate leaders, and government officials. Our mission is to continue to revitalize downtown by enhancing the investments of the public and private sectors through five performance services: Clean & Safe Ambassadors, Marketing & Events, Economic Development, Public Space Management, and Membership & Advocacy. Our website is www.YouRHere.com. Raleigh Civic Ventures is the charitable arm of the Downtown Raleigh Alliance. It is designated as a 501(c)(3) tax-exempt organization allowing individuals or businesses to make tax deductible contributions which fund downtown projects. The information in this report can be considered accurate and reliable, but is not guaranteed.

For questions concerning this report, please email economic@downtownraleigh.org.

*To protect the commercial interests of property owners and managers who submit confidential information for the purpose of generating market-level analysis, the detailed section of the multi-tenant office market inventory is included only in the version of this report submitted to the City of Raleigh public officials.

ECONOMIC DEVELOPMENT REPORT

HIGHLIGHTS

Developments

During the fourth quarter, two downtown development projects were completed. The **AIA North Carolina Center for Architecture and Design** is a four-story, LEED® Platinum certified, multi-functional building located on Peace Street. The Center combines new administrative offices and public space for statewide design education programs, exhibitions, lectures, and archived materials. The project cost for the 12,000 square foot building was \$5.4 million.

Alfred Williams & Company returned downtown to occupy a new corporate headquarters and showroom on S. Salisbury Street. The company rehabilitated a 55,626 square foot building at a cost of \$5.2 million.

Three downtown projects previously completed in 2011 were the Contemporary Art Museum (W. Martin Street), The Wilmore Building (S. Wilmington Street) including the Wilmore Café and the Wilmore Office Lofts, and The Cornershop (S. Wilmington Street) which is comprised of two restaurants, Beasley's and Chuck's, and Fox Liquor Bar.

Over \$372,000,000 worth of public and private sector construction projects are currently underway in downtown including **Green Square, State Employees Credit Union, Wake County Justice Center, First Presbyterian Church, and the**

Hampton Inn & Suites-Glenwood South.

Announcements

During the fourth quarter, Raleigh voters approved **\$56 million in transportation and affordable housing bonds**. The transportation bonds won 67 percent approval while the housing bonds got an approval of 62 percent.

The Raleigh City Council approved a resolution that defines an **Urban Progress Zone** for the city and authorizes application to the State of NC Department of Commerce for approval of an area for this designation. The State's business tax credit program known as Article 3J credits provides business incentives for job creation, investing in business property, and investing in real property. Within qualifying economically distressed urban areas, known as Urban Progress Zones, additional enhanced Article 3J credits are made available to businesses located within these designated zones.

Office Market

The fourth quarter **occupancy rate** for multi-tenant **office space** (greater than 10,000 square feet in the Business Improvement District) was **90.2%** (Class A: 93.3%; Class B: 91.4%; Class C: 67.2%), and **9.8% vacancy**. The market for multi-tenant office space in downtown Raleigh saw a **net absorption of 5,560 square feet** bringing a five-quarter total

absorption to -48,577 square feet or about 1.2% of the surveyed market's total space.

Street-Level Business Openings

During the fourth quarter, **ten new street-level businesses opened** downtown. The type of venues included restaurants, bars/clubs, and specialty retail businesses.

Since 2006, the DRA has confirmed over 250 new street-level business openings in downtown. In total, downtown has over 150 restaurants, cafes, and bars/clubs/lounges.

Downtown Events

Thousands of people attended downtown events during the fourth quarter. A few examples included concerts at the **Raleigh Amphitheater and Festival Site, Winterfest, and First Night Raleigh**.

Check out the online calendar for information about the variety of planned events downtown at www.YouRHere.com.

Media Exposure/Accolades*

Notable rankings for Raleigh during the fourth quarter include:

#2 Smartest City in North Carolina - American City Business Journals - November

#4 Best City for Technology Jobs - Forbes.com - November

#5 Top 10 Metro Areas for Growth Since the Recession - Urban Land Institute - October

DEMOGRAPHICS

REAL PROPERTY SQUARE FOOTAGE WITHIN THE BID

	<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office		5,346,515
Retail		1,275,698
Governmental Office/Other		5,680,445
Residential		2,301,855
Other (Education, Religious, etc.)		5,305,977
Total Existing Space		19,910,490
 <u>Under Construction/Planned Space</u>		
Commercial Office		1,020,000
Retail		206,500
Government/Other		1,207,000
Total Under Construction and Planned Space		2,433,500
Combined Existing, Under Construction and Planned		22,343,990

DOWNTOWN HOTEL ROOMS

Existing Rooms	1,010
Planned	515

RESIDENTIAL UNITS

Existing Units Inside BID	3,657
Planned and Under Construction (P & UC) Residential Units Inside BID	736
Combined Existing, Planned and Under Construction Units Inside BID	4,393

POPULATION DESCRIPTIVE STATISTICS*

Residents Within 1-mile Radius of Downtown Center Point	15,886
Average Household Income Within 1-mile Radius of Downtown	\$48,618
Housing Units Within 1-mile Radius	7,478
Average Household Size Within 1-mile Radius	1.88
% of Residents Within 1-mile Radius With Bachelor's Degree or Higher	36.8%
Median Age for Residents Within 1-mile Radius	33.9 years

(*U.S. Bureau of the Census, 2000; ESRI **forecast** for 2010)

4th QUARTER 2011

Economic Development, BID Report and Real Estate Analysis

ANNUAL TRENDS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 to-date
Street-Level Business Openings	24	21	26	20	36	37	45	39	54	41
Street-Level Business Closings	25	13	18	8	25	34	20	24	26	26
Year-End Office Occupancy	91.8%	88.2%	85.9%	86.6%	89.6%	91.5%	91.4%	91.6%	89.6%	89.9%
Projects Announced	9	16	26	34	11	6	6	3	2	5
Public Investment (millions)	\$0.3	\$3.2	\$237.4	\$330.0	\$0.0	\$362.7	\$214	\$2.6	0	0
Private Investment (millions)	\$157.6	\$202.1	\$353.5	\$615.0	\$503.2	\$109.9	\$454	\$54	\$9.6	\$77
Projects Completed	1	0	2	7	3	5	9	10	3	5
Public Investment (millions)	\$10.5	\$0	\$0	\$2.0	\$11.5	\$0	\$312	\$39.3	\$2.5	0
Private Investment (millions)	\$0	\$0	\$106.0	\$90.0	\$0.7	\$107.2	\$284	\$139.9	\$7.4	\$21.3

4th QUARTER STREET-LEVEL BUSINESS ACTIVITY

Business Openings:

	Address	Month
1. Battistella's Cajun Kitchen	200 E. Martin Street	October
2. Tutti Frutti	222 Glenwood Avenue, Suite 103	November
3. The London Bridge Pub	110 E. Hargett Street	November
4. Volcano Café and Lounge	108 E. Hargett Street	November
5. C Grace	407 Glenwood Avenue	November
6. cimos	111 E. Hargett Street, Suite 100	December
7. Foursaken Media	111 E. Hargett Street	December
8. Videri Chocolate Factory	327 W. Davie Street, Suite 100	December
9. Zaky Mediterranean Express	222 Glenwood Avenue, Suite 105	December
10. Oryx Restaurant and Ultralounge	510 Glenwood Avenue	December

Business Closings:

1. Seldom Seen Vintage Guitar & Amp Co.	109 S. Salisbury Street	October
2. The Diner	410 Glenwood Avenue, Suite 300	November
3. y Respira Studio/NC Yoga	234 Fayetteville Street	December
4. Red Room	510 Glenwood Avenue	December

4th Quarter Totals

Openings: 10
Closings: 4

DEVELOPMENT IN THE PLANNING STAGES

Project Name	Project Type	Construction Cost	Status
Charter Square	Mixed-Use Commercial	\$130,000,000	Approved, Pre-leasing
L Building	Mixed-Use Commercial	\$26,000,000	Approved, Pre-leasing
111 Seaboard	Mixed-use Commercial	\$15,000,000	Planned
Overlook (Seaboard)	Residential	\$20,000,000	Approved
Boylan Flats	Residential	\$3,000,000	Approved
Powerhouse Plaza	Mixed-use Commercial	\$46,000,000	Approved
Clarence Lightner Public Safety Center	Public Sector	\$205,000,000	Design Funding Approved
Edison	Mixed-use Commercial	\$400,000,000	Approved, Pre-leasing
Bloomsbury Estates (Phase II)	Residential	\$26,000,000	Approved
North Carolina State Bar	Commercial	\$16,000,000	Planned
St. Mary's Square	Mixed-use Residential	\$22,000,000	Planned
Blount Street Commons	Mixed-Use Residential	\$80,000,000	Approved (multiple phases)
425 N. Boylan Avenue	Mixed-Use Residential	\$35,000,000	Planned
West Apartments	Residential	\$22,000,000	Planned
Carolina Ale House	Commercial	\$7,500,000	Planned
Total Planned Development		\$1,053,500,000	

DEVELOPMENT UNDER CONSTRUCTION

Project Name	Project Type	Construction Cost	Estimated Timeline
Green Square	Museum/Cultural/Office	\$115,000,000	2012
State Employees Credit Union	Commercial	\$40,000,000	2012
First Presbyterian Church	Religious/Non-Profit	\$9,600,000	2012
Hampton Inn & Suites-Glenwood South	Commercial	\$20,000,000	2012
Wake County Justice Center	Public Sector	\$187,700,000	2013
Total Development Under Construction		\$372,300,000	

MULTI-TENANT OFFICE MARKET INVENTORY (>10,000 SQ. FT.)

Total: 3,917,168*	Absorption: 5,560	Class	Absorption	Vacancy
		A	8,656	6.7%
Available: 385,093	Vacancy: 9.8%	B	-8,000	8.6%
		C	4,904	32.8%

*Starting First Quarter 2011, figure includes Two Progress Plaza and Progress Energy Plaza I.

BID SERVICES REPORT

SAFETY AMBASSADORS SERVICE INFORMATION

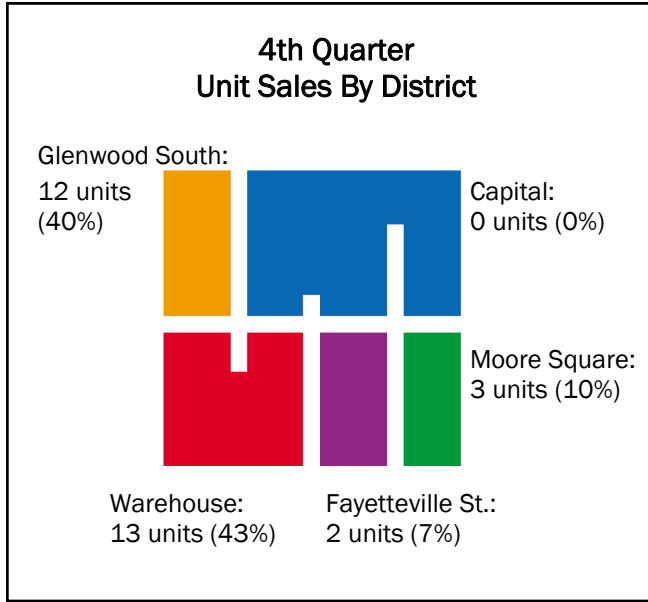
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year to Date
Maps, Brochures, Downtown Guides	9,737	7,071	8,207	8,055	15,547	5,889	10,270	6,063	7,152	13,292	16,988	15,659	123,930
Directions, Assistance, AAA	2,310	2,180	2,139	2,082	2,135	1,880	2,641	1,930	1,820	2,448	2,049	2,213	25,827
Disturbing the Peace, Trespass, Panhandlers	234	228	234	245	377	272	339	363	236	291	224	259	3,302
EMS, Fire, Police	18	13	19	10	37	17	33	40	17	19	20	25	268
Establishment/Property Owner Contact	832	642	577	681	725	751	866	604	615	918	573	845	8,629
Escorts	84	50	81	88	86	51	141	63	68	78	112	124	1,026
Total Personal Interactions	13,215	10,184	11,257	11,161	18,907	8,860	14,290	9,063	9,908	17,046	19,966	19,125	162,982

CLEAN AMBASSADORS SERVICE INFORMATION

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year to Date
Graffiti Removal (# of instances)	86	123	443	57	71	63	252	140	109	163	107	140	1,754
Litter/Debris Removed (pounds)	8,158	9,956	7,593	8,501	9,102	7,754	9,202	7,931	6,140	9,233	11,516	8,028	103,114
Sidewalk Sweeper (hours)	107	94	95	104	120	100	126	94	87	108	94	89	1,218
Weed Removal (block faces)	0	0	0	34	46	20	99	12	26	15	2	0	254

RESIDENTIAL REAL ESTATE ANALYSIS

Figure 1



GEOGRAPHIC DISTRIBUTION OF SALES

Figure 1 illustrates that during the **fourth quarter** of 2011, **30 sales** were recorded for downtown residential properties including **70% new-unit sales**. The main concentration of new sales were in the **Warehouse District (43%)** at Bloomsbury Estates.

The **mean cost per square foot** for residential properties sold in the fourth quarter was **\$208.14**, a \$12.15 decrease from the third quarter. The fourth quarter **median** was **\$198.73**, a decrease of \$7.03 from the third quarter.

Regarding the highs and lows of residential sales during the fourth quarter, the **most expensive unit (\$/sq. ft.)** sold was a **1,263 sq. ft.** new sale condo at **Bloomsbury Estates** for **\$357.88 per sq. ft.**, while the **least expensive unit** sold was a **1,354 sq. ft.** new sale condo at **Bloomsbury Estates** for **\$162.48 per sq. ft.**

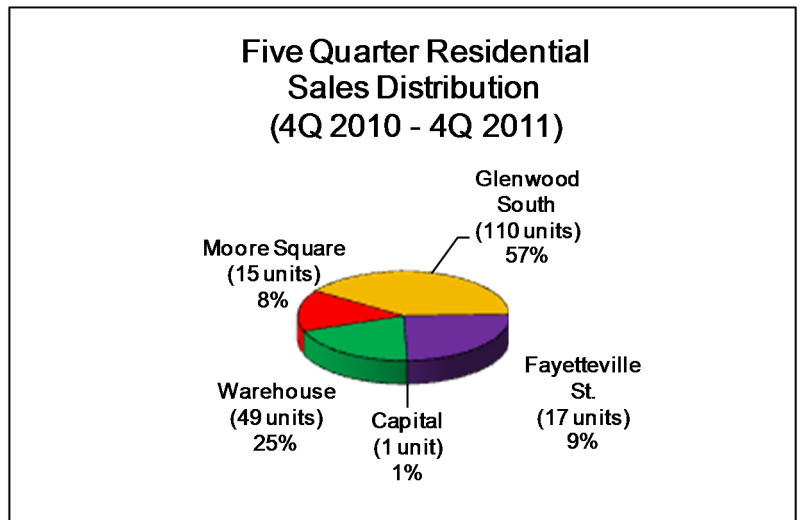
These figures represent the actual closings on real estate transactions and do not include the reservations and contracts made on planned or under construction projects.

CUMULATIVE GEOGRAPHIC DISTRIBUTION OF SALES

Figure 2

Figure 2 provides a **geographic breakdown of residential sales (192)** over the **last five quarters**, beginning with the fourth quarter of 2010. The Glenwood South District leads in closings (110).

The chart is more an indication of where product has become available for sale rather than an indication of consumer preference. Several projects that were completed in the past couple years balance out the geographic distribution and type of residential product in downtown. And future plans for the Blount Street Commons (Phase I) project in the Capital District includes, townhouses and apartments for the multi-phase project.



ESTIMATED MULTI-FAMILY RESIDENTIAL PRODUCT DELIVERY TIMELINE

Project Name	Completed/Planned/ Under Construction	Product Type	District	Project Completion Date	# of units
Carlton Place	Completed	Mixed-income rental	Moore Square	1Q 2007	81
Quorum Center	Completed	For-sale condos	Glenwood South	1Q 2007	37
Palladium Plaza	Completed	For-sale condos	Moore Square	2Q 2007	66
2007 Total					184
Chavis Heights Hope VI	Completed	Mixed-income rental	Moore Square (East)	1Q 2008	168
222 Glenwood	Completed	For-sale condos	Glenwood South	3Q 2008	117
RBC Plaza	Completed	For-sale condos	Fayetteville Street	4Q 2008	139
WEST	Completed	For-sale condos	Glenwood South	4Q 2008	170
2008 Total					594
Bloomsbury Estates I	Completed	For-sale condos	Warehouse	2Q 2009	56
712 Tucker	Completed	Apartment Rentals	Glenwood South	2Q 2009	179
HUE	Completed	Apartment Rentals	Warehouse	3Q 2009	208
2009 Total					443
Blount Street Phase I	Part Complete/Planned	For-sale condo/town	Capital	2011-2012	14
Blount Street Phase II	Planned	For-sale condo/town	Capital	2012	186
St. Mary's Square	Planned	Apartment Rentals	Glenwood South	2013	133
425 N. Boylan Avenue	Planned	Apartment Rentals	Glenwood South	2013	250
West Apartments	Planned	Apartment Rentals	Glenwood South	2013	153
2011-2013 Total					736